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Attorney Docket No. SSO-10002/29

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BOARD OF APPEALS AND INTERFERENCES**

Applicant: Mark R. Sendo et al.

Serial No.: 09/560,603

Group Art Unit: 3621

Filing Date: April 28, 2000

Examiner: John M. Winter

Title: METHODS AND APPARATUS FOR CONDUCTING SECURE,
ONLINE MONETARY TRANSACTIONS

APPEAL BRIEF

Mail Stop Appeal Brief – Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

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GROUP 3600

Dear Sir:

I. Real Party in Interest.

The real party in interest is InternetMoney.com, an Indiana corporation, by assignment.

II. Related Appeals and Interferences.

There are no other related appeals or interferences.

III. Status of Claims.

The application was originally filed with 17 claims. Claims 10-17 were withdrawn due to a restriction requirement. In an April, 2003 amendment claim 1 was canceled and claims 18-22 were added. Claims 4-8 have been canceled by after-final amendment filed with Appellants' Appeal Brief, leaving claims 2-3, 9 and 18-22 pending in this application. All are under appeal.

IV. Status of the Amendments.

An after-final amendment is submitted herewith.

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V. Summary of the Invention.

The present invention provides a method for conducting secure monetary and financial transactions over the Internet and other public networks (page 6, lines 5 and 6). The system comprises physical medium containing a series of one-time use data tokens, each token being representative of a monetary value or transaction (page 6, lines 9-11). An authentication server is used to verify the validity of individual media, and an accompanying protocol permits consumers, merchants and payment processors to cooperatively authenticate users and to initiate and complete payment transactions (page 6, lines 13-16). The primary function of the physical medium is to provide consumers with a secure and efficient way to conduct electronic commerce transactions (page 6, lines 19 and 20). When payment is required for an online transaction, the consumer simply inserts the media into any standard, media readable drive, which then reads the data embedded on the card. The invention enables transaction activities over a communications network at minimal cost, and operates independent of computer system platform, adaptable to the dynamics of the Internet and other public or private computer networks (page 7, lines 1-6).

VI. Issues on Appeal.

As set forth in the Office Action having a mailing date of July 18, 2003, there are two issues in this appeal, namely:

1. Whether claims 2, 3, 9 and 18-22 were properly rejected under 35 U.S.C. §103 as being obvious in view of Rowney et al., U.S. Patent No. 5,996,076 in combination with Briscoe, U.S. Patent No. 6,341,273.

VII. Grouping of Claims.

Group I: Claims 2, 3, 9, 18 and 20-22, wherein claims 2, 3, 9, and 20-22 stand or fall with claim 18; and

Group II: Claim 19

VIII. Argument.

- A. Group I - Claims 2, 3, 9, 18 and 20-22, wherein claims 2, 3, 9, and 20-22 stand or fall with claim 18.

Claim 18 stands rejected under 35 U.S.C. §103(a) as being obvious over Rowney et al., U.S. Patent No. 5,996,076, in view of Briscoe, U.S. Patent No. 6,341,273.

According to the Examiner, the pending claims stand rejected under 35 U.S.C. §103(a) as being anticipated by Rowney et al. ('076). (Emphasis added.) Thus, Appellants cannot tell from the rejection whether or not these claims are being rejected under §102 over §103 of the Statute. Given that the heading of the section on page 3 of the final Office Action is entitled "***Claim Rejections - 35 U.S.C. §103***," Appellants will assume that the Examiner knows the difference between anticipation and obviousness, and that this rejection is based upon §103 of the Statute.

Claim 18 includes multiple limitations, including the use of four devices, and steps associated with sending requests, retrieving data, and comparing information among the various devices to complete a transaction request. The combination of Rowney et al. in view of Briscoe does not teach or suggest such a method.

The Rowney et al. reference relies on complex encryption schemes and encryption keys to facilitate secure transfer of sensitive data between the consumer and merchant during processing of a transaction over a communications network. Appellants' invention provides an advantage over the use of such encryption schemes by substituting a proxy for cash in the form of non-reusable data tokens whereby the tokens are not associated with any sensitive or personal customer data that could be misappropriated by hackers to support fraudulent business transactions over a communication network. The combination of the use of the non-reusable tokens and the unique transaction protocol whereby the authentication server facilitates substantially all of the transaction processes without having to transfer the consumer's sensitive information over the communications network provides a highly secure and easily implemented means for supporting online transactions that is not obvious in view of Rowney et al. (see Figures 1 and 2).

The Briscoe reference teaches a method of operating a digital payment transaction system whereby a secret random number is provided by a bank wherein the random number forms the beginning of a hash chain. The user is provided with a publicly known hash function to operate on the random number to produce a series of hash values by repeatedly using the hash function to produce a subsequent hash value from the previous result. Each hash value in the chain of hash values is representative of a monetary value which can be used as a proxy for communicating sensitive consumer information over a communications network. However, verification and authorization

processes for consummating an online purchase requires that the proxy information be communicated to the merchants as well as the payment processors in each transaction such that they may perform certain authentication and authorization processes toward completion of the transaction.

Additionally, the Briscoe method of conducting secure online transactions requires that a contract be formed between the broker and the client that stipulates that once any coin (hash value) on the coin stick has been revealed to any vendor, the liability on the bank's part to refund the value beyond that coin transfers from being a liability to pay the user, to a liability to pay the vendor (column 6, lines 1-5). This presents a problem when a user of the coin stick desires to conduct online transactions with multiple merchants. The Briscoe reference provides three ways for a user to switch using their coin stick from a first vendor to a second vendor, but in all cases the bank or payment processor won't authorize the second vendor to use the coin stick until it has been told the current length of the coin stick and has been able to limit its contract with the first vendor to this new value (column 8, lines 31-35). In this manner, the first vendor has to be willing to relinquish their hold on the user's account ..., before the bank can authorize another vendor to use the coin stick (column 9, lines 19-23). Appellants submit that the present invention is not obvious in view of the Briscoe reference which requires that a user wishing to conduct online transactions with multiple vendors must first receive authorization from a previous merchant before conducting business with a subsequent merchant. This is done to prevent double use of any coins on the coin stick and possible double liability to the bank. The method of conducting online transactions according to the claimed invention does not present such a discouraging transactional feature.

The claimed invention allows for a user to conduct secure online transactions by relying on the transfer of non-sensitive proxy information and a transaction server whereby the user's ability to conduct transactions among multiple vendors is not hindered by authorization protocols needed to prevent double use of the one time tokens as according to Briscoe. Appellants submit that the claimed invention is not obvious in view of the combination of the cited references and respectfully requests that this be withdrawn as a basis for rejection.

The Examiner concedes that Rowney and, indeed, the Rowney/Briscoe combination, does not disclose all of the steps of the method of the claim of this group, but official notice is taken that "comparing the first set of data to the third set of data for verification purposes" is common and well known. The Examiner goes on to argue that "any modern POS type transaction system verifies the

consumers account data, this argument also applies to the feature of comparing the third data set to the fourth data set.” Appellants respectfully disagree. First, it is not enough for the Examiner to take “official notice” that something might be obvious, then draw the conclusion that all of the elements of Appellants’ claim *in combination* are obvious, since the Examiner must not only find references which teach the claimed limitations, but also the justification *from the prior art* for the combination. The Examiner in this case has done neither.

The Examiner further concedes that although Rowney et al. does not specifically disclose retrieving the first set of data from the recordable media, since Briscoe discloses a token “equivalent to a monetary value” it would have been obvious to combine Rowney and Briscoe “in order to create an anonymous form of electronic money.” It is well settled that, in order to reject claims under 35 U.S.C. §103, the Examiner must provide a reason why one having ordinary skill in the pertinent art would have been led to combine the cited references to arrive at Appellants’ claimed invention. There must be something *in the prior art* that suggests the proposed combination, other than the hindsight gained from knowledge that the inventor choose to combine these particular things in this particular way. Uniroyal Inc. v. Rudkin-Wiley Corp., 837 F.2d 1044, 1051, 5 USPQ2d 1434, 1438 (Fed. Cir. 1988). The Examiner is also required to make specific findings on a suggestion to combine prior-art references. In Re Dembeczak, 175 F.3d 994, 1000-01, 50 USPQ2d 1614, 1617-19 (Fed. Cir. 1999).

In this case, there is no teaching or suggestion *whatsoever* from Rowney et al. as to the use of a token having an equivalent monetary value, nor is there any teaching or suggestion in Briscoe as to the steps associated with secure digital certification of electronic commerce pursuant to the ‘076 patent. Moreover, the justification given by the Examiner for the combination, namely, “to use an electronic coin stick in order to create an anonymous form of electronic money,” does not bear a requisite nexus to Appellants’ claims sufficient to establish *prima facie* obviousness. Accordingly, the claims of this group are allowable.

B. Group II - Claim 19

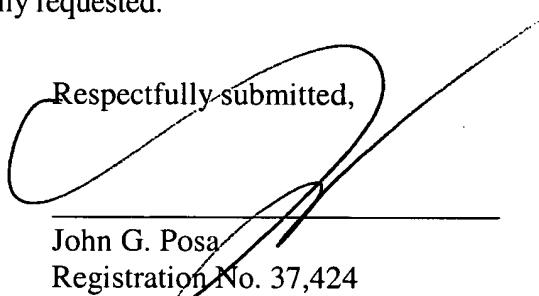
Claim 19 includes additional limitations not found in claim 18, namely, additional transmitting steps involving portions of data sets between the various devices. The Examiner’s flawed reasoning notwithstanding, the statement that it would have been obvious to one of skill in the art at the time the invention was made to transmit a second portion of a third data set from the third device to the fourth

device, since "mere duplication of the essential working parts of a device involves only routine skill of the art," quoting St. Regis Paper Co. v. Bemis Co., 193 USPQ 8, is entirely misplaced. First, this is not an apparatus claim having non-essential interchangeable parts, but instead, is a method claim. Secondly, and perhaps more importantly, the steps to which the Examiner refers are *positive limitations*, which must be considered *in combination*, and not simply dismissed because the Examiner was unable to find these items in the prior art. Again, *prima facie* obviousness has not been established.

IX. Conclusion.

From the foregoing, Appellants submit that claims 2, 3, 9 and 18-22 are not obvious over Rowney et al. in view of Briscoe. Accordingly, the claims define patentable subject matter and are in condition for allowance. Such action is respectfully requested.

Respectfully submitted,



John G. Posa
Registration No. 37,424
Gifford, Krass, Groh, Sprinkle,
Anderson & Citkowski, P.C.
280 N. Old Woodward, Suite 400
Birmingham, MI 48009
(734) 913-9300

APPENDIX A
CLAIMS ON APPEAL

2. A method as recited in claim 18, wherein the recordable media is a medium capable of storing data for retrieval by a disk drive.

3. A method as recited in claim 2 whereby the communications system is the Internet.

9. A recordable media according to claim 18, further comprising dimensions approximately the size of a credit card.

18. A method of securely transferring data having a corresponding equivalent monetary value in a communications system including a recordable media having a first set of data encoded thereon, a second device having a second set of data thereon, a third device having a third set of data thereon, and a fourth device having a fourth set of data thereon, the method comprising the steps of:

sending a request to the second device to perform a transaction via a user interface;
retrieving the first set of data from the recordable media at the user interface wherein the first set of data includes at least one non-reusable token being equivalent to a monetary value;
transmitting the first set of data retrieved from the recordable media to the third device;
comparing the first set of data to the third set of data for verification purposes;
transmitting a portion of the third set of data to the fourth device;
comparing the portion of the third set of data to the fourth set of data for verification purposes; and

transmitting an instruction from the third device to the second device whereby the second device completes the transaction request according to a predetermined process.

19. A method of securely transferring data having a corresponding equivalent monetary value in a communications system including a recordable media having a first set of data encoded thereon, a second device having a second set of data thereon, a third device having a third set of

data thereon, and a fourth device having a fourth set of data thereon, the method comprising the steps of:

sending a request to the second device to perform a transaction via a user interface;
retrieving the first set of data from the recordable media at the user interface wherein the first set of data includes at least one non-reusable token being equivalent to a monetary value;
transmitting the first set of data retrieved from the recordable media to the third device;
comparing the first set of data to the third set of data for verification purposes;
transmitting a first portion of the third set of data from the third device to the user interface;
transmitting the first portion of the third set of data from the user interface to the second device;
transmitting the first portion of the third set of data from the second device to the fourth device;
transmitting the first portion of the third set of data from the fourth device to the third device for authentication purposes;
transmitting a second portion of the third set of data from the third device to the fourth device;
comparing the second portion of the third set of data with the fourth set of data for verification purposes; and
transmitting an instruction from the fourth device to the second device whereby the second device completes the transaction request according to a predetermined process.

20. The method according to claim 18 wherein the recordable media is optically recordable.

21. The method according to claim 18 wherein the user interface is a personal computer.

22. The method according to claim 18 further comprising invalidating at least one non-reusable token from the recordable media after verification.

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant: Mark R. Sendo et al.

Serial No.: 09/560,603

Group Art Unit: 3621

Filing Date: April 28, 2000

Examiner: John M. Winter

Title: METHODS AND APPARATUS FOR CONDUCTING SECURE,
ONLINE MONETARY TRANSACTIONS

AMENDMENT AND REPLY TO FINAL REJECTION

Mail Stop AF
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Dear Sir:

In response to the final Office Action mailed July 18, 2003, please amend the above-identified application as follows.

CLAIM AMENDMENTS

1. (Canceled)

2. (Previously Presented) A method as recited in claim 18, wherein the recordable media is a medium capable of storing data for retrieval by a disk drive.

3. (Previously Presented) A method as recited in claim 2 whereby the communications system is the Internet.

4. - 8. (Canceled)

9. (Previously Presented) A recordable media according to claim 18, further comprising dimensions approximately the size of a credit card.

Claims 10-17 (Withdrawn)

18. (Previously Presented) A method of securely transferring data having a corresponding equivalent monetary value in a communications system including a recordable media having a first set of data encoded thereon, a second device having a second set of data thereon, a third device having a third set of data thereon, and a fourth device having a fourth set of data thereon, the method comprising the steps of:

sending a request to the second device to perform a transaction via a user interface;

retrieving the first set of data from the recordable media at the user interface wherein the first set of data includes at least one non-reusable token being equivalent to a monetary value;

transmitting the first set of data retrieved from the recordable media to the third device;

comparing the first set of data to the third set of data for verification purposes;

transmitting a portion of the third set of data to the fourth device;

comparing the portion of the third set of data to the fourth set of data for verification purposes; and

transmitting an instruction from the third device to the second device whereby the second device completes the transaction request according to a predetermined process.

19. (Previously Presented) A method of securely transferring data having a corresponding equivalent monetary value in a communications system including a recordable media having a first set of data encoded thereon, a second device having a second set of data thereon, a third device having a third set of data thereon, and a fourth device having a fourth set of data thereon, the method comprising the steps of:

sending a request to the second device to perform a transaction via a user interface;

retrieving the first set of data from the recordable media at the user interface wherein the first set of data includes at least one non-reusable token being equivalent to a monetary value;

transmitting the first set of data retrieved from the recordable media to the third device;

comparing the first set of data to the third set of data for verification purposes;

transmitting a first portion of the third set of data from the third device to the user interface;

transmitting the first portion of the third set of data from the user interface to the second device;

transmitting the first portion of the third set of data from the second device to the fourth device;

transmitting the first portion of the third set of data from the fourth device to the third device for authentication purposes;

transmitting a second portion of the third set of data from the third device to the fourth device;

comparing the second portion of the third set of data with the fourth set of data for verification purposes; and

transmitting an instruction from the fourth device to the second device whereby the second device completes the transaction request according to a predetermined process.

20. (Previously Presented) The method according to claim 18 wherein the recordable media is optically recordable.

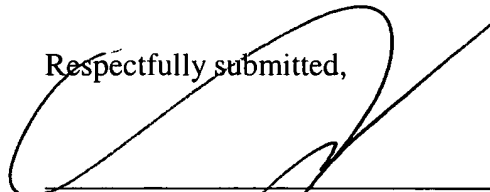
21. (Previously Presented) The method according to claim 18 wherein the user interface is a personal computer.

22. (Previously Presented) The method according to claim 18 further comprising invalidating at least one non-reusable token from the recordable media after verification.

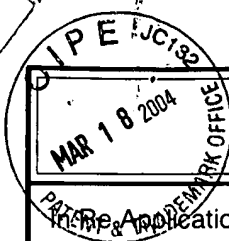
REMARKS

By this amendment, claims 4-8 have been canceled, leaving claims 2-3, 9 and 18-22 pending for consideration on appeal.

Respectfully submitted,

A large, stylized handwritten signature in black ink, written over a horizontal line. The signature is cursive and appears to read 'John G. Posa'.

John G. Posa
Reg. No. 37,424
Gifford, Krass, Groh, Sprinkle,
Anderson & Citkowski, P.C.
280 N. Old Woodward, Suite 400
Birmingham, MI 48009
(734) 913-9300

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TRANSMITTAL OF APPEAL BRIEF (Small Entity)AF 3621#
Docket No.
SSO-10002/29

Inventor Application Of: Sendo et al

Serial No.
09/560,603Filing Date
April 28, 2000Examiner
J. WinterGroup Art Unit
3621Invention: METHODS AND APPARATUS FOR CONDUCTING SECURE, ONLINE MONETARY
TRANSACTIONSTO THE COMMISSIONER FOR PATENTS:Transmitted herewith in triplicate is the Appeal Brief in this application, with respect to the Notice of Appeal filed on:
January 15, 2004

Applicant is a small entity under 37 CFR 1.9 and 1.27.

A verified statement of small entity status under 37 CFR 1.27:

- ☐ is enclosed.
- ☐ has already been filed in this application.

The fee for filing this Appeal Brief is: \$165.00

- ☐ A check in the amount of the fee is enclosed.
- ☒ The Director has already been authorized to charge fees in this application to a Deposit Account.
- ☒ The Director is hereby authorized to charge any fees which may be required, or credit any overpayment to Deposit Account No. 07-1180

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Signature

Dated: March 15, 2004

John G. Posa
Reg. No. 37,424
Gifford, Krass, Groh et al
280 N. Old Woodward Ave., Suite 400
Birmingham, MI 48009
Tel. 734/913-9300
Fax 734/913-6007

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Sheryl L. Hammer

Typed or Printed Name of Person Mailing Correspondence

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